CHINA GAS HOLDINGS LIMITED

中國燃氣控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 384)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2010

The Board of Directors (the "Board" or the "Directors") of China Gas Holdings Limited (the "Company") announces the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2010, together with the comparative figures for the year ended 31 March 2009, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**Year ended 31 March 2010** *HK$'000*	Year ended 31 March 2009 *HK$'000*
Revenue	3	**10,211,959**	6,323,823
Cost of sales		**(8,095,667)**	(4,894,474)
Gross profit		**2,116,292**	1,429,349
Other income		**273,885**	225,756
Other gains and losses		**295,805**	(490,131)
Selling and distribution costs		**(445,012)**	(330,414)
Administrative expenses		**(606,658)**	(468,475)
Finance costs		**(522,677)**	(409,800)
Discounts on acquisition of an associate, a jointly controlled entity and businesses		**176,387**	236,262
Share of results of associates		**(114,402)**	12,884
Profit before taxation		**1,173,620**	205,431
Taxation	4	**(158,119)**	(71,472)
Profit for the year	5	**1,015,501**	133,959
Other comprehensive income			
Increase in fair value on available-for-sale investments		**7,958**	8,452
Exchange difference arising on translation		**1,240**	12,993
Other comprehensive income for the year		**9,198**	21,445
Total comprehensive income for the year		**1,024,699**	155,404
Profit for the year attributable to:			
Owners of the Company		**875,636**	103,679
Minority interests		**139,865**	30,280
		1,015,501	133,959
Total comprehensive income attributable to:			
Owners of the Company		**884,834**	113,994
Minority interests		**139,865**	41,410
		1,024,699	155,404
Earnings per share			
Basic	6	**HK26.19 cents**	HK3.11 cents
Diluted		**HK19.82 cents**	HK2.93 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2010

	Notes	**31 March 2010**	31 March 2009
		HK$'000	*HK$'000*
			(Restated)
Non-current assets			
Investment properties		**343,158**	295,127
Property, plant and equipment		**11,064,337**	9,132,277
Prepaid lease payments		**957,655**	869,075
Interests in associates		**957,709**	1,000,966
Available-for-sale investments		**82,838**	41,995
Derivative financial instrument		**9,759**	-
Goodwill		**900,577**	684,467
Other intangible assets		**1,254,675**	320,297
Deposits for acquisition of property, plant and equipment		**254,751**	276,197
Prepayment for acquisition of a subsidiary and an associate		**-**	63,218
Amounts due from associates		**-**	68,966
Deferred tax assets		**88,155**	56,890
		15,913,614	12,809,475
Current assets			
Inventories		**564,163**	540,898
Amounts due from customers for contract work		**103,265**	219,993
Trade and other receivables	7	**1,871,061**	1,285,698
Derivative financial instruments		**2,909**	1,261
Amounts due from associates		**138,236**	243,250
Prepaid lease payments		**27,459**	16,173
Held-for-trading investments		**15,468**	11,544
Pledged bank deposits		**489,103**	847,759
Bank balances and cash		**3,872,316**	2,048,698
		7,083,980	5,215,274
Current liabilities			
Trade and other payables	8	**3,182,020**	2,603,313
Derivative financial instruments		**-**	782
Amounts due to customers for contract work		**239,316**	121,743
Taxation		**146,162**	51,733
Amounts due to associates		**23,867**	-
Bank and other borrowings – due within one year		**5,294,761**	3,103,855
		8,886,126	5,881,426
Net current liabilities		**(1,802,146)**	(666,152)
Total assets less current liabilities		**14,111,468**	12,143,323

	31 March 2010	31 March 2009
	HK$'000	*HK$'000*
		(Restated)
Equity		
Share capital	**33,610**	33,336
Reserves	**4,089,412**	3,189,934
Equity attributable to owners of the Company	**4,123,022**	3,223,270
Minority interests	**1,107,215**	758,858
Total equity	**5,230,237**	3,982,128
Non-current liabilities		
Derivative financial instruments	**-**	360,087
Amount due to a minority shareholder of a subsidiary	**356,591**	356,591
Bank and other borrowings – due after one year	**8,021,345**	7,194,067
Convertible bonds	**-**	14,823
Deferred taxation	**503,295**	235,627
	8,881,231	8,161,195
	14,111,468	12,143,323

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and certain financial instruments, which are measured at revaluated amounts or fair value.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS2 (Amendment)	Vesting conditions and cancellations
HKFRS7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – INT 9 & HKAS 39(Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

<u>HKAS 1 (Revised 2007) Presentation of Financial Statements</u>
HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

<u>HKFRS 8 Operating Segments</u>
HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 but some changes in presentation and disclosure have been made.

<u>Amendments to HKFRS7 – Financial Instruments : Disclosures</u>
The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 April 2013, with earlier application permitted. The Standard requires all recognized financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specially, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 will affect the classification and measurement of the Group's financial assets.

In addition, as part of "Improvement of HKFRSs 2009", HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 April 2010, with earlier application permitted. Before the amendments to HKAS 17, leases were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such as requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land at revalued amount.

The directors of the Company anticipate that the application of the other new or revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group is currently organized into four operating divisions - sales of piped gas, gas connection, sales of liquefied petroleum gas ("LPG") and sales of coke and gas appliances. These principal operating activities are the basis on which the chief operating decision maker allocates resources to segments and assess their performance. The following is an analysis of the Group's revenue and results by operating segment.

2010

	Sales of piped gas	Gas connection	Sales of LPG	Sales of coke and gas appliances	Segment Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE	**3,831,627**	**1,461,573**	**4,637,924**	**268,845**	**10,199.969**
SEGMENT PROFIT	**662,543**	**569,940**	**74,471**	**10,499**	**1,317,453**
Revenue arising from property investment					**11,990**
Interest and other gains					**49,279**
Unallocated corporate expenses					**(154,946)**
Finance costs					**(522,677)**
Change in fair value of investment properties					**44,645**
Change in fair value of derivative financial instruments					**372,755**
Loss on disposal of jointly controlled entities					**(5,815)**
Loss on disposal of an associate					**(1,190)**
Gain on disposal of a subsidiary					**141**
Discount on acquisition of a jointly controlled entity					**302**
Discount on acquisition of businesses					**176,085**
Share of results of associates					**(114,402)**
Profit before taxation					**1,173,620**

Reconciliation of revenue	**HK$'000**
Total revenue for operating segments	**10,199,969**
Rental income	**11,990**
Group's revenue	**10,211,959**

2009

	Sales of piped gas	Gas connection	Sales of LPG	Sales of coke and gas appliances	Segment Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE	2,678,377	1,127,403	2,272,173	235,369	6,313,322
SEGMENT PROFIT (LOSS)	430,010	310,578	(3,992)	5,415	742,011
Revenue arising from property investment					10,501
Interest and other gains					125,586
Unallocated corporate expenses					(151,419)
Finance costs					(409,800)
Change in fair value of investment properties					5,726
Change in fair value of derivative financial instruments					(366,320)
Discount on acquisition of a jointly controlled entity					8,860
Discount on acquisition of an associate					227,402
Share of results of associates					12,884
Profit before taxation					205,431

Reconciliation of revenue	*HK$'000*
Total revenue for operating segments	6,313,322
Rental income	10,501
Group's revenue	6,323,823

4. TAXATION

	2010	2009
	HK$'000	*HK$'000*
The People's Republic of China ("PRC") Enterprise Income Tax	**192,985**	98,696
Deferred taxation	**(34,866)**	(27,224)
	158,119	71,472

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profit derived in Hong Kong for both years.

Taxation arising in other jurisdictions in the PRC is calculated at the rates prevailing in the relevant jurisdictions.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group are exempted from PRC Enterprise Income Tax for the first two years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC Enterprise Income Tax for the following three years ("Tax preference"). The reduced tax rate for the relief period is ranging from 7.5% to 16.5%. The charge of PRC Enterprise Income Tax for the years has been provided for after taking these tax incentives into account.

5. PROFIT FOR THE YEAR

	2010	2009
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**474,668**	333,914
Release of prepaid lease payments	**27,987**	20,614
Amortisation of intangible assets included in cost of sales	**20,019**	12,685
Minimum lease payments for operating leases	**85,890**	74,124
Cost of inventories recognised as expenses	**7,472,632**	4,271,621
Rental income from investment properties less outgoings	**(10,319)**	(9,005)

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2010	2009
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	**875,636**	103,679

	2010	2009
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,343,913**	3,333,233
Adjustment for effect of dilutive potential ordinary shares:		
Share options (note a)	**1,074,507**	204,537
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,418,420**	3,537,770

Notes:

(a) During the year ended 31 March 2009, the computation of diluted earnings per share does not take into account the effects of options with anti-dilutive effect.

(b) During the year ended 31 March 2009, the computation of diluted earnings per share does not assume the conversion of convertible bonds as the assumed conversion would result in an increase in earnings per share.

All outstanding convertible bonds were converted during the year ended 31 March 2010. The impact on diluted earnings per share on assumed conversion is not considered significant and therefore has not been accounted for in the calculation.

7. TRADE AND OTHER RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**820,144**	655,774
Less: Accumulated allowances	**(221,497)**	(146,079)
Trade receivables	**598,647**	509,695
Deposits paid for construction and other materials	**100,278**	75,134
Deposits paid for purchase of natural gas and LPG	**306,555**	130,983
Advanced payments to sub-contractors	**150,151**	105,806
Tender deposits	**66,107**	17,644
Rental and utilities deposits	**24,541**	22,752
Other tax recoverable	**43,260**	36,522
Other receivables, deposits and prepayments	**345,742**	251,610
Amounts due from minority shareholders of subsidiaries	**212,050**	70,155
Amounts due from shareholders of jointly controlled entities	**23,730**	65,397
Total trade and other receivables	**1,871,061**	1,285,698

Other than certain major customers with good repayment history which the Group allows a longer credit period or settlement by instalment basis, the Group generally allows an average credit period of 30 to 180 days to its trade customers.

The following is an aged analysis of trade receivables net of impairment losses presented based on invoice date at the end of the reporting period:

	2010	2009
	HK$'000	*HK$'000*
0-180 days	**480,797**	344,066
181-365 days	**74,793**	92,333
Over 365 days	**43,057**	73,296
	598,647	509,695

Amounts due from minority shareholders of subsidiaries and shareholders of jointly controlled entities are unsecured, non-interest bearing and repayable on demand.

8. TRADE AND OTHER PAYABLES

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The following is an aged analysis of trade and other payables presented base on the invoice date at the reporting date:

	2010	2009
	HK$'000	*HK$'000*
0-90 days	**1,058,186**	1,142,836
91-180 days	**245,035**	119,262
Over 180 days	**382,258**	249,131
Trade and bill payables	**1,685,479**	1,511,229
Other payables and accrued charges	**128,572**	164,996
Construction fee payables	**154,119**	99,303
Other tax payables	**57,392**	102,071
Accrued staff costs	**85,512**	71,159
Loan interest payables	**47,481**	49,245
Deposits received from customers	**55,191**	12,709
Advance payments from customers	**361,227**	186,196
Advances received from customers for contract works that have not yet been started	**430,269**	258,592
Amounts due to minority shareholders of subsidiaries	**50,501**	65,454
Amounts due to shareholders of jointly controlled entities	**24,668**	34,291
Obligation on capital injection to Fujian Anran Gas Investment Company Limited by Beijing Zhongmin Zhongran Trading Company Limited	**23,448**	-
Deferred cash consideration for the acquisition of businesses	**78,161**	48,068
	3,182,020	2,603,313

Included in the amounts due to minority shareholders of subsidiaries and shareholders of jointly controlled entities are trade payables amounting to HK$4,469,000 (2009: HK$22,292,000) and HK$9,136,000 (2009: HK$6,031,000) respectively. All of the balances were aged within 90 days based on invoice date and the average credit period is 90 days.

The remaining balances of amounts due to minority shareholders of subsidiaries and shareholders of jointly controlled entities are unsecured, non-interest bearing and repayable on demand.

FINAL DIVIDEND

The Board resolved to recommend the payment of a final dividend of HK1.7 cents (2009:HK1.4 cents) per ordinary share.

The final dividend will be paid on or about 30 September 2010 to shareholders whose names appear on the Registrar of Members of the Company on the date of the forthcoming annual general meeting.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 13 August 2010 to Thursday, 19 August 2010, both days inclusive, during which period no transfer of shares will be registered. In order to quality for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 12 August 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a gas operator and service provider primarily engaged in the investment, construction and operation of city gas pipeline infrastructure facilities, gas terminals, storage and transportation facilities, gas logistics systems, transmission of natural gas and LPG to residential, industrial and commercial users, construction and operation of gasoline and CNG refilling stations as well as the development and application of technologies relating to petroleum, natural gas and LPG in China.

Business Review

For the year ended 31 March 2010, turnover of the Group amounted to HK$10,211,959,000 (year ended 31 March 2009: HK$6,323,823,000), increased by 61.5% over the same period last year. Gross profit amounted to HK$2,116,292,000 (year ended 31 March 2009: HK$1,429,349,000), increased by 48.1%. Overall gross profit margin was 20.7% (2009: 22.6%). Profit for the year was HK$1,015,501,000 (2009: HK$133,959,000), increased by 658.1%. Overall net profit margin was 9.9% (2009: 2.1%). Earnings per share amounted to HK26.19 cents (year ended 31 March 2009: earnings per share amounted to HK3.11 cents).

New Projects Expansion

As of June 30, 2010, the Group had secured 123 city piped gas projects (with exclusive concession rights) in 19 provinces, autonomous regions and directly-administered cities, eight long distance natural gas pipeline projects, 91 CNG vehicle refilling stations, one natural gas development project, as well as 37 LPG distribution projects.

Set out below is the additional 50 city piped gas projects secured by the Group from 1 April 2009 to 30 June 2010:

Province/Autonomous Region/ Directly-Administered City	**City/District**
Fujian Province	29 cities and regions
Liaoning Province	Liaoyang City, Gaizhou City, Zhuanghe City, Linghai City Pulandian City
Heilongjiang Province	Mudanjiang city,Jiagedaqi district
Inner Mongolia Autonomous Region	Etuokeqi
Jiangsu Province	Pukou district of Nanjing City
Hunan Province	Youxian, Zhangjiajie
Jiangxi Province	Wanliqu of Nanchang city
Guangxi Zhuang Autonomous Region	Nanning City, Dongmeng Economic Development Area in Nanning City, Laibin City, Baise City, Bobai City
Anhui Province	Xiuningxian
Guangdong Province	Xinxingxian, Fengshunxian, Pingyuanxian

The above new projects cover a connectable city population of approximately 11,852,375 (approximately 3,704,000 households). The connectable city population covered by the Group's gas projects has increased to approximately 55,918,375 (approximately 17,278,805 households) as of June 2010, representing an increase of 10.6% as compared to that in 2009.

The Group completed the acquisition of 49% equity interests in Fujian Anran Gas Investment Company Ltd. ("Anran") during the period under review. This acquisition has significantly expanded the Group's natural gas user base and sales volume, while also provided an exposure to the Fujian market, one of the largest LPG consumers. The successful acquisition of Anran represents a strong backing for its subsidiary, Zhejiang Zhongyou Hua Dian Group to integrate the downstream LPG distribution market in Fujian and also establishes a solid foundation for the Group to further expand the Fujian gas market as a part of the Group's strategic plan. Currently, natural gas resources in Fujian Province come from the Fujian LNG terminal, which is owned by China National Offshore Oil Corporation ("CNOOC"). Upon the acquisition of Anran, the Group will be able to enhance the business cooperation with CNOOC which is providing strong backing for natural gas supply to its project companies in Fujian Province, and to capitalize on its well-established expertise and experience in the construction of CNG refilling stations and its capital strength to expand the Group's CNG refilling projects in Fujian Province. Moreover, to align with the development of the Group's LPG business, during the financial year, the Group underwent an internal restructure where Shanghai Zhongyou Energy became the holding company with its headquarters located in Shanghai. We believe that such internal restructure can enhance the corporate image of Zhejiang Zhongyou Hua Dian Group and facilitate its debt financing and equity financing in the future.

Gas Business Review

The Group's gas business is managed under 2 segments, namely natural gas and LPG, the customer bases and market strategies of which are different from each other. The performance of each segment for the year ended 31 March 2010 is discussed as follows.

Natural Gas Business

As a gas supplier and service provider specializing in natural gas, the Group has already established a unique and well-fit operation management system in domestic gas industry after seven years of development with a view to improving the management efficiency and operating results.

Construction of Piped Gas Networks

Construction of city gas pipeline networks is one of the Group's principal businesses. Through the construction of city main pipeline networks and branch pipeline networks, the Group connects natural gas to residential, industrial and commercial users, and charges them for such connections and gas usage.

During the financial year, the Group had completed 10 processing stations, high-pressure gas pipelines of 184 km, city medium and low-pressure gas pipeline of approximately 1,397 km and branch and customer pipeline network of 3,045 km. As at 31 March 2010, the Group accomplished piped gas supply in 90 cities, and had 87 processing stations, high-pressure gas pipelines of approximately 1,429 km, medium to low-pressure gas pipelines of approximately 15,865 km and branch and customer pipeline network of 31,513 km constructed. Designed gas supply capacity of the processing stations reached 19,264,000 m^3 per day.

Piped Gas Users

Natural gas users of the Group mainly include residential users, industrial and commercial users and CNG vehicle refilling stations.

Residential Customers

During the financial year, the Group completed natural gas connections for 657,907 domestic households, an increase of approximately 57.1% over the same period last year. The average piped gas connection fee for residential users was RMB2,368. During the financial year, the Group also acquired 434,159 residential users who were primarily from Nanning, Pukou, Liaoyang, Mudanjiang and Fujian Anran projects. As at 31 March 2010, the accumulated connected residential users of the Group grew by approximately 27.8% over the same period last year to 4,785,966, representing 30.3% of the total connectable domestic households.

Industrial and Commercial Customers

Compared to residential users, industrial and commercial users have higher demand for gas and are the focus of the Group's business direction. During the financial year, the Group completed connections for 323 industrial customers and 3,825 commercial customers and acquired 67 industrial customers and 1,140 commercial customers. Industrial users are primarily engaged in the petrochemical, porcelain making, building material productions, metallurgy and glass making industries. As at 31 March 2010, the accumulated acquired and connected industrial customers and commercial customers of the Group were 792 and 32,414 representing an increase of approximately 88.6% and 13.7% respectively as compared with those in the same period last year. During the financial year, connection fee for industrial users was calculated on the basis of the contracted daily gas volume at the average rate of RMB 40 per m^3 and the average connection fee paid by commercial customers was RMB 36,045 per customer.

During the financial year, the Group's gas connection income grew by approximately 29.6% over the same period last year to HK$1,461,573,000, representing approximately 14.3% of the Group's total revenue for the year.

CNG refilling stations for vehicles

During the financial year, to cope with the fast growing vehicle refilling market, the Group has specially established a vehicle gas development department to further improve the relevant management systems and work procedures, and to set up a comprehensive supervision and assessment mechanism for project construction and market development. At the same time, it has also strengthened the cooperation with IMW, a Canada-based professional refilling station equipment manufacturer, resulting in a comprehensive enhancement in the overall design, equipment supply, technical training, and repairs and maintenance for the vehicle refilling business of the Group. This has laid a solid foundation for the Group to further expand the vehicle refilling market. The Group owned 91 CNG refilling stations for vehicles, with a daily capacity in excess of 1,350,000 m^3. Sales volume of CNG for vehicles took up 7.3% of the Group's total sales volume of natural gas during the financial year, representing an increase of approximately 47.9% as compared to the same period last year.

Sale of Natural Gas

The operating income of natural gas includes connection fee and sales of gas. Connection fee is a one-off income, whereas the Group's ultimate profit comes from the sales of gas.

During the year, the Group sold a total of 3,380,025,000 m^3 of natural gas, an increase of 58.7% as compared to the same period last year, of which 392,083,000 m^3 was sold to residential users, 2,403,198,000 m^3 to industrial users and 338,002,000 m^3 to commercial users and 246,742,000 m^3 to CNG vehicle drivers. During the financial year, gas sold to industrial users accounted for approximately 71.1% of the total natural gas volume sold, commercial users approximately 10.0%, residential users approximately 11.6% and CNG vehicle drivers approximately 7.3%. With a large proportion of industrial users in its customer mix, the Group enjoys huge potential in its future gas sales. In addition, as the local government implements more relaxed tariff control on industrial users, it is much easier for the Group to transfer the risk of upstream natural gas price fluctuation to them. During the financial year, the Group's natural gas sales income grew by approximately 43.1% over the same period last year to HK$3,831,627,000 representing approximately 37.5% of the Group's total revenue for the year.

As at 31 March 2010, the daily natural gas supply capacity of the Group reached 10,410,000 m^3, increased by approximately 51.9% over the same period last year, of which the actual domestic usage was approximately 1,262,857 m^3/day, actual industrial usage approximately 7,245,360 m^3/day, actual commercial usage approximately 1,105,567 m^3/day, and actual CNG vehicles usage approximately 802,750 m^3/day. As of 30 June 2010, the total natural gas supply of the Group had exceeded 11,013,000 m^3 per day.

In the past financial year, the average selling price (pre tax) was RMB1.88 per m^3 for residential users, RMB2.09 per m^3 for industrial users, RMB2.13 per m^3 for commercial users, and RMB2.17 per m^3 for CNG vehicle drivers.

The core business of the Group is piped natural gas supply. However, some of the projects where piped natural gas is not accessible are still selling piped coal gas as a transitional gas. During the period, sales income of piped coal gas from Fushun, Liuzhou, Yangzhou, Qingdao and Harbin was recorded. A total of 212,354,000 m^3 piped coal gas was sold during the financial year, of which 132,944,000 m^3 was sold to residential customers, 54,786,000 m^3 to industrial customers and 24,624,000 m^3 to commercial customers.

Liquefied Petroleum Gas Business

As a result of the PRC government's recent upward price adjustment of a number of energy products, the price difference between LPG and other energy products including refined oil, natural gas and coal is narrowing, which further drives the demand for LPG consumption. Meanwhile, as the pace of urbanization in the PRC accelerates, urban and rural areas and some small and medium cities and towns that are not covered with piped gas will definitely turn to LPG as their major fuel for domestic use. In addition, the rising living standard in rural areas due to the "new policy on rural villages" implemented by the PRC government has also further increased the ability of rural areas to afford clean and convenient energy such as LPG. 70% of LPG consumption in China are for domestic uses, while the industrial users and drivers only account for a small proportion, not to mention its application on value-added areas as a chemical feedstock. Compared to the percentage of consumption in developed countries, the growth potential for LPG market in China is enormous in the future. For LPG market supply, as new refineries and existing refineries in the PRC expand their production capacity, the supply of liquefied petroleum gas by domestic producers will continue to increase and the global LPG supply will remain sufficient. On the other hand, RMB appreciation will further stimulate demand due to the corresponding reduction in the LPG import costs. Accordingly, we believe that LPG as a clean, efficient and convenient energy product will complement with natural gas, and the LPG market demand in China will follow a long-term steady growth trend in the future.

LPG Business Review

During the past financial year, the Group actively tackled with the volatile movements of the international and domestic market prices and fierce domestic competition and recorded a set of improving results compared with that of last financial year. The Group sold a total of 944,000 tonnes LPG. Total revenue was HK$4,637,924,000, operating profit was HK$74,471,000 and profit after tax amounted to HK$10,051,000.

In terms of regulation of operation and enhancement of operational efficiency, over the past year, the Group continued to implement and improve the standardized management mechanism and procedural system; implemented the breakdown, implementation, procedural control and assessment of operating indicators; established the operating budget suitable for the needs of business development; launched the professional and computerized management; set up and implemented the domestic and overseas LPG price tracking, analysis and forecast system that utilizes EAS and EHR IT operational and management platform to strengthen the management and control level.

Looking into the coming financial year, the Group will continue to strengthen its unique advantage of the vertically-integrated LPG supply chain. As for the upstream resource integration, the Group will enter into direct procurement contracts with many refineries including CNPC Kunlun and Sinopec to lower the cost of procurement. As for the downstream market, the Group will accelerate the pace of assets acquisitions in the LPG market and invest more to build out our class 3 stations network with brand reputation and economies of scale.

Human Resources

A team of excellent employees is vital to the success of a corporation. The Group adheres to the management concept of "people come first". It has established and improved the system of recruitment and internal training. The system provides mechanism for upgrading the professionalism and competence of its staff at all levels on an ongoing basis and also creates a platform for knowledge exchange and experience sharing among its staff. The Group recruits and retains quality staff through enhancing job satisfaction and attractive remuneration package.

As at 31 March 2010, the Group has approximately 17,382 employees, an increase of approximately 7.9% over last year. More than 99.9% of the Group's employees are located in China. Remuneration is determined with reference to the qualifications and experience of the staff and according to the prevailing industry practice in the respective regions where the project companies operate. Apart from the basic salaries and pension fund contribution, some employees may be given discretionary bonuses, merit payment and share options depending on the financial results of the Group and performance of these individual employees. During the financial year, the Group allocated share options to some of its employees to recognize their contribution to the Group. The Group also provides extensive training including training programs for new employees and different levels of technical and management courses for the Group's management and employees.

Financial Review

Liquidity

In face of the prevailing economic conditions, it is essential for any company to maintain sufficient liquidity. Due to its business nature, the Group has an inherently robust cashflow. Coupled with the effective and well-established capital management system, the Group is able to maintain its competitive edge under the pressure of credit crunch.

As at 31 March 2010, the total assets of the Group was HK$22,997,594,000, increased by approximately 27.6% as compared to that as at 31 March 2009. The Group's cash on hand was HK$4,361,419,000 (31 March 2009: HK$2,896,457,000). The Group had a current ratio of approximately 0.80 (31 March 2009: 0.89). After deducting the LPG trade finances related facilities of Zhongyou Hua Dian amounting to HK$2,450,349,000, the Group's current ratio was 1.10. The net gearing ratio was 1.32 (31 March 2009: 1.37). The calculation of net gearing ratio was based on the net borrowings of HK$6,884,796,000 (total borrowings of HK$13,696,564,000 less LPG trade finances related facilities of Zhongyou Hua Dian amounting to HK$2,450,349,000 and bank balances and cash of HK$4,361,419,000) and the net assets of HK$5,230,237,000 as at 31 March 2010.

The Group has always been pursuing a prudent financial management policy. The majority of the cash available were deposited with credible banks as demand and time deposits.

Financial Resources

Owing to its continuous efforts in seeking a long-standing relationship with local, Chinese and foreign banks, the Group is able to obtain additional available credit facilities from new banks apart from the ongoing project finance provided by China Development Bank. As of June 2010, over 20 banks extended syndicate loans and credit facilities to the Group and most syndicate loans have a term longer than five years with an average maturity of nine years. The bank loan will be used as general working capital and the majority of which will accrue interest at US$ LIBOR+1.25%. As at 31 March 2010, the Group's portfolio of bank loans and other loans is as follows:

	2010	2009
	HK$'000	*HK$'000*
Less than one year	5,294,761	3,103,855*
After one year but not more than two years	662,620	355,753
After two years but not more than five years	3,063,156	2,430,918
After five years	4,295,569	4,407,396
	13,316,106	10,297,922

** of these, the acceptance bills and trust receipts of Zhongyou Hua Dian amounted to HK$2,255,659,000.*

As at 31 March 2010, the Group had bank loans and other loans amounting to HK$13,316,106,000, representing an increase of 29.3% over that of 2009, of which HK$2,450,349,000 belonged to the trade finances related to facilities.

The Company issued convertible bonds with 1% per annum coupon with an aggregate principal amount of US$40,000,000 (the "Bonds") in June 2005. The Bonds expired on 29 June 2010. The initial conversion price of the Bonds was HK$1.731 but the conversion will be adjusted in accordance to the initial agreement if any shareholding dilution events arise. The Bonds have been listed on the Hong Kong Stock Exchange since 1 June 2006. As at 31 March 2010, upon the conversion of the remaining bonds in the amount of US$2,000,000 into 9,012,131 ordinary shares of the Company, the Company had no outstanding bonds. The Company has also applied to the Stock Exchange of Hong Kong Limited for the delisting of the Bonds.

The operating and capital expenditures of the Group are financed by operating cash income, subscription moneys from strategic investors, bank loans, bonds, revolving credit facilities and development financial loans. The Group has sufficient funding to satisfy its future capital expenditures and working capital requirements.

Foreign Exchange and Interest Rates

No significant foreign exchange risk is expected as the Group's cash, borrowings, income and expenses are settled in Hong Kong dollars, RMB and US dollars.

Charge on Assets

As at 31 March 2010, the Group pledged certain property, plant and equipment and prepaid lease payments having a net carrying value of approximately HK$298,075,000 and HK$39,043,000 (2009: HK$457,164,000 and HK$37,047,000) respectively, investment properties having a net carrying value of HK$27,220,000 (2009: HK$19,200,000), trade receivables having a net carrying value of HK$86,817,000 (2009: HK$45,878,000), inventories having carrying value of HK$138,729,000 (2009: HK$87,651,000), pledged bank deposits of HK$489,103,000 (2009:HK$847,759,000) and certain subsidiaries pledged their equity investments in other subsidiaries to banks to secure loan facilities granted to the Group.

Capital Commitments

The Group has a capital commitment in respect of the acquisition of property, plant and equipment and construction materials for property, plant and equipment contracted for but not provided in the financial statements as at 31 March 2010 was HK$146,754,000 (as at 31 March 2009: HK$208,150,000) and HK$140,194,000 (as at 31 March 2009: HK$93,312,000) respectively, and such commitments would require a substantial part of the Group's present cash and external borrowings. The Group has undertaken to acquire shares of some Chinese enterprises and set up Sino-foreign joint venture companies in China.

Contingent Liabilities

As at 31 March 2010, the Group did not have any material contingent liabilities (as at 31 March 2009: Nil).

PROSPECTS

Looking into the next financial year, as to city gas distribution area, the Group will target at projects with reasonable investment returns; continue to seek various domestic city gas project investment opportunities; expand the gas business in the surrounding regions of our existing project companies; enhance customer's services; commence value-added business for existing users; and increase the sales volume of CNG vehicle gas. As to liquefied petroleum gas business, the Group will continue to operate the LPG wholesale, retail and logistics related businesses with safety being the highest priority. It is expected that the LPG business will generate ongoing revenue and profit growth to the Group.

The Group will continue to establish and maintain long-term working relationships with domestic and overseas banks so as to cope with the future business development plan of the Group. The Group will also exercise full-scale supervision on the operation and financial management of each project company, improve the internal assessment system, strengthen the joint venture reform of state-owned enterprises, and strive for harmonious development between our staff, the enterprise, community and the environment. Moreover, the Group will endeavor to provide higher quality social public services and to become a well-managed gas corporation earning trust from the customers and respect from the community and creating value for its shareholders.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules throughout the year, except for the non-executive directors should be appointed for a specific term and be subject to re-election. All the existing non-executive directors of the Company are not appointed for specific term, but are subject to retirement and re-election at the Company's annual general meeting in accordance to the bye-laws of the Company.

COMPLIANCE OF THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules and all of the directors of the Company confirmed that they have complied with the required standards set out in the Model Code throughout the financial year ended 31 March 2010.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 March 2010.

PURCHASE, SALE AND REDEMPTION OF SHARES

For the year ended 31 March 2010, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

PUBLICATION OF INFORMATION ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

The results announcement is required to be published on the website of The Hong Kong Exchanges and Clearing Limited ("HKEX") at www.hkex.com.hk under "Latest Listed Company Information" and the Company at www.chinagasholdings.com.hk under "Announcements" respectively. The annual report of the Company for the year ended 31 March 2010 will be dispatched to the shareholders around 20 July 2010 and will publish on the websites of the HKEX's and the Company's websites accordingly.

On Behalf of the Board of
China Gas Holdings Limited
Liu Ming Hui
Managing Director

Hong Kong, 7 July 2010

** for identification purpose only*

As at the date of this announcement, Mr. Li Xiao Yun, Mr. Xu Ying, Mr. Liu Ming Hui, Mr. Ma Jin Long and Mr. Zhu Wei Wei are the executive Directors, Mr. Feng Zhuo Zhi, Mr. Joe Yamagata, Mr. R.K. Goel, Mr. Moon Duk Kyu and Mr. Mulham Al Jarf are the non-executive Directors and Mr. Zhao Yu Hua, Dr. Mao Er Wan and Ms. Wong Sin Yue, Cynthia are the independent non-executive Directors.